CONTRACTING PUBLIC AGENCY RISK ASSESSMENT

Membership and Payroll Reviews - Background

The Membership and Payroll Review Program (Program) was initiated in 1990 in response to alleged reporting of pension spiking at member agencies. To date, approximately 620 reviews have been performed of contracting public agencies. The Program evaluates and validates the integrity and accuracy of personnel and payroll data reported to CalPERS by employers. The risk of contracting agencies reporting erroneous membership and payroll data to CalPERS has been significantly minimized as a result of these reviews.

Originally focusing on public agencies, the Program was later expanded to include school districts and district agricultural associations, and most recently, pilot reviews of a California State University campus and a state agency were performed. The Public Agency team has also conducted reviews of certain internal CalPERS functions related to public agencies, establishing criteria and resolving issues reported as a result of reviews. The reviews in these areas were undertaken in an effort to improve the exchange of information between CalPERS and contracting entities.

Contracting Public Agency Risk Assessment

As part of the Office of Audit Services fiscal year 2006-07 annual plan, the public agency membership and payroll review team conducted a risk assessment of all contracting and mandated employers to identify and rank entities based on the risk factor scores. The risk assessment process utilized factors such as agency size, agency type, safety coverage, unused sick leave provision, history of late payroll reporting, missed payroll reporting periods, highly paid employees, reported changes in earnings, and whether the agency received CalPERS training. Each factor was assigned a corresponding weighted value as follows: Low Impact/Low Occurrence was assigned "1" (low), Low Impact/High Occurrence was assigned "2" (medium), High Impact/Low Occurrence was assigned "2" (medium), and High Impact/High Occurrence was assigned "3" (high).

The methodology resulted in the auditable entities being classified in one of three risk value categories by score:

Types of Agency	High Score	Medium Score	Low Score	Total Auditable Entities
Public Agencies	220	978	284	1,482
Schools & COEs	491	845	339	1,675
District Ag Assoc.	7	38	8	53
CSUs	8	15	1	24
State Agencies	31	142	61	234
Total	757	2,018	693	3,468